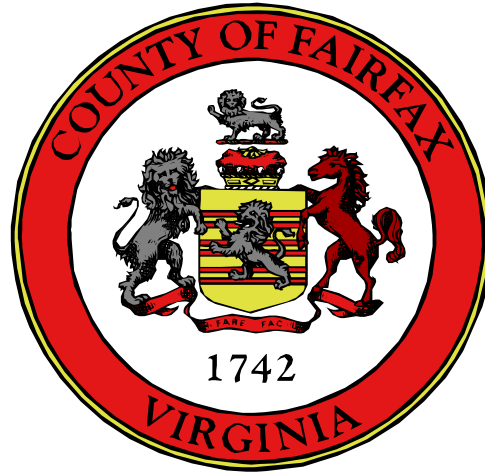


INTERNAL AUDIT REPORT

AUDIT OF CSB CLIENT FEE COLLECTION



Fairfax County Internal Audit Office

**FAIRFAX COUNTY, VIRGINIA
INTERNAL AUDIT OFFICE
M E M O R A N D U M**

TO: Anthony H. Griffin
County Executive

DATE: June 27, 2001

FROM: Ronald A. Coen, Director
Internal Audit Office

SUBJECT: Report on the *“Audit of CSB Client Fee Collection”*

This is a report on the *“Audit of CSB Client Fee Collection”*. It was performed as part of our FY2001 Annual Audit Plan.

The findings and recommendations of this audit were discussed with the Fairfax-Falls Church Community Services Board. We have reached agreement on all of the recommendations and I will follow up periodically until implementation is complete. Their responses are incorporated into the report and the full response is attached at the end of the report. After your review and approval, we will release the report to the Board of Supervisors.

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Introduction

The Fairfax-Falls Church Community Services Board (CSB) was created in 1969 by a joint resolution of Fairfax County and the Cities of Fairfax and Falls Church. It is empowered by Chapters 10 and 11 of the Code of Virginia to provide mental health, mental retardation, and alcohol and drug abuse treatment services to residents of the three jurisdictions. The CSB is established under a State mandate; however, in a Memorandum of Agreement between CSB and the County, CSB observes County rules and regulations regarding financial management.

CSB revenue sources include the General Fund, Federal, State, Local, and Fees. Actual revenue from these sources increased 10.3% from Fiscal Year 1999 of \$79.684 million to Fiscal Year 2000 of \$87.925 million. However, CSB Fees (Medicaid Waiver, Medicaid Option, Program/Client Fees, and CSA Pooled Funds) decreased 10.8 % for the same period from \$8.781 million to \$7.829 million.

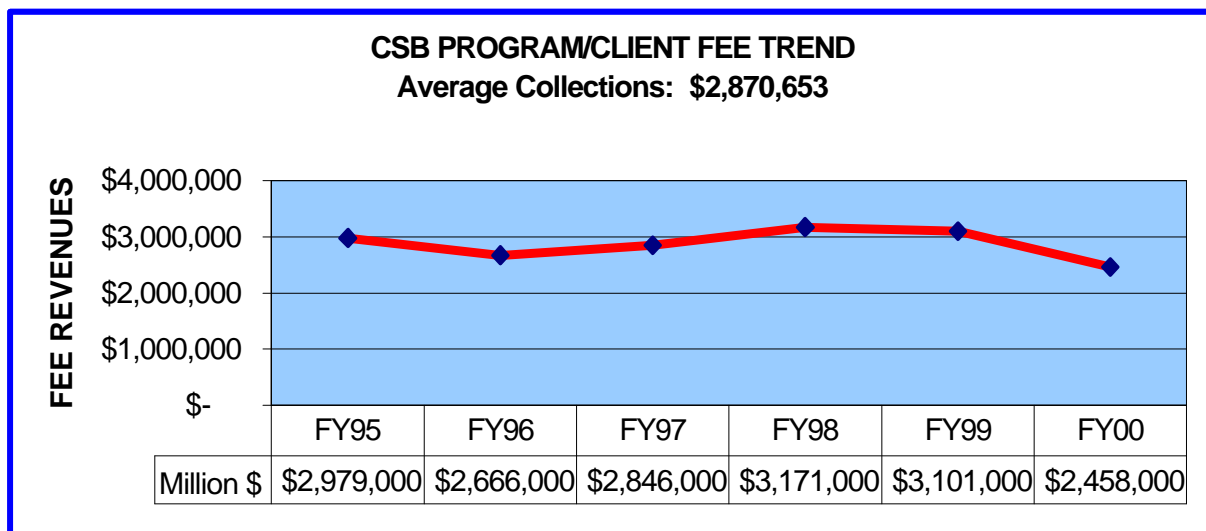
Program/Client fees, which are the basis of this audit, are the largest fee category, which make up approximately 35% of the total CSB Fees. Program/ Client fees decreased 20.7% from Fiscal Year 1999 of \$3.101 million to Fiscal Year 2000 of \$2.458 million. The Fiscal Year 2000 collection of \$2.458 million is under the historical average collection of \$2.871 million between Fiscal Years 1995 and Fiscal Year 2000 (*Refer to Program/ClientFee Trend Chart on Page 2*). This decrease in Program/Client fees is attributed to billing problems experienced with the new automated SYNAPS system to bill clients and third party payers.

In April 1998 the County acquired for CSB a new automated Management Information System known as "SYNAPS". The system set up and implementation was completed in May 2000. During the implementation period the Reimbursement Office of the Department of Administration for Human Services (DAHS) experienced problems with the SYNAPS billing module. This resulted in a 10-month delay in sending out client and third party (health insurance providers) billings. In May 2000 the budget authority for the Reimbursement Office was temporarily transferred from DAHS to CSB.

The top priority for CSB was to eliminate the client and third party billing backlog. The Reimbursement Office caught up the billing backlog in August 2000.

Accounting Technical Bulletin (ATB) 036 *Billing and Collection Procedures for Billable Revenue*, is the financial and accounting policy that County departments follow for billing and collection of billable revenue. According to ATB 036, County departments are responsible for developing, implementing and updating a plan of action to support the County's policy and achieve the timely collection of all revenue.

Fundamental to all billing and collection functions is a system of principles and practices intended to protect the assets of the organization and to ensure the integrity of the financial process. That system is often referred to as the organization's "internal controls". The effective management of the revenue collection process should include appropriate segregation of duties and management overview to deter errors, and prevent fraud and improprieties.



Purpose and Scope

This audit was performed as part of our FY 2001 Long-Range Audit Plan. Our audit objectives and scope included a review of the CSB, DAHS, and DIT involvement in fee collections and SYNAPS Management Information System implementation efforts as follows:

CSB Fee Administration

- Evaluate the adequacy of the efforts to manage the Program/Client fee collection process. This includes *Billing, Collection, Write-offs, Recording, Monitoring and adherence to Department of Finance and internal CSB's policies and procedures.*
- Determine that fees recorded for FY 2000 were accurately and completely stated
- Determine that proper internal controls exist and are working as intended for safeguarding fee collections

The scope of the audit will be limited to a review of the billing, collection, write-offs, recording, and monitoring process relating to CSB's Program/Client fee collections (P/C fee). The audit included sampling of P/C Fee collection activities at Mental Health Services, Mental Retardation Services, and Alcohol and Drug Services. The audit will focus on P/C fee collection and account receivables for FY 2000.

The audit period covers July 1999 through June 2000 (FY 2000). The benefits of this audit include stronger controls, improved performance, and to inform management on compliance to County revenue policies and procedures.

CSB "SYNAPS" Management Information System

- Determine whether Billing system (SYNAPS) meet the requirements established in ATB036- *Billing and Collection Procedures for Billable Revenue* (Information System section)
- Determine adequate processing and security controls are in place to ensure the validity of billing information
- Review methodology for reconciling Accounts Receivable information between SYNAPS and FAMIS
- Evaluate the application controls (input, processing, and output) pertaining to billing information
- Determine compliance to system development methodology used to develop SYNAPS

The scope of the audit will be limited to: (1) a review of change management request to document program modification, testing, and migration; (2) the posting process of accounts receivable activity to the general ledger (FAMIS); (3) reviewing access controls over the billing system and the client master file; (4) the client master file change procedures to ensure that an adequate audit trail is available; and (5) verifying the reconciliation of accounts receivable to client records between SYNAPS and FAMIS.

Methodology

Our review included interviewing appropriate County employees, evaluating internal procedures and the combined efforts of the CSB and DAHS billing and collecting fees. We tested the accuracy of collecting and recording fee transactions at CSB's field service units. We also tested for compliance to County and State fiscal policies, and reviewed the collection process to insure proper internal controls are present and functioning. This audit was performed in accordance with the generally accepted government auditing standards and the Government Accounting Office Federal Information System Controls Manual (January 1999).

Executive Summary

In our opinion, from our review of CSB and DAHS efforts to manage the client fee collection process and maintain the billing system (SYNAPS), we found that 1) compliance to County, State and CSB's Fiscal Policies and Procedures need to be improved, and 2) the controls need to be strengthened in SYNAPS Access Security, Maintenance, and System Backup. The opportunities to enhance controls and limit County liability in these two areas are listed as follows:

- **Compliance to County, State and CSB's Fiscal Policies and Procedures**

Complete and submit a Billing and Collection Plan to the Department of Finance that includes development of a full collection process for managing delinquent service fee accounts through SYNAPS. In addition, CSB needs to implement written write-off procedures for uncollectable client service fees and reconcile SYNAPS and FAMIS monthly on a summary level.

CSB Therapists need to improve timely submission of the service tickets and activity recording sheets to bill client services. Furthermore, CSB administrative staff need to strengthen separation of duties at Mental Health (MH) Northwest (Reston) and MH Springfield Centers regarding fee payment process.

- **Controls to Strengthen SYNAPS Access Security, Maintenance, and System Backup**

CSB should follow the County's "Application Life Cycle Standards" to develop new computer systems. The standards that CSB should focus is in the areas of, 1) adherence to conversion and test plan methodology, 2) developing a formal documented Business Continuity Plan for the SYNAPS system in order to prepare for an unexpected business disruption, 3) submitting CSB's data backup and retention requirement to DIT for SYNAPS, 4) including an *escrow agreement* between CSB and the vendor to access and/or modify source codes to maintain SYNAPS in the event that the vendor goes out of business, and 5) involving CSB's quality improvement program and its related activities in the MIS and Reimbursement functions to ensure that their data is reliable, accurate, and complete.

Logical security controls should be enhanced to include steps to 1) document supervisory approval to assign user access to SYNAPS, 2) reevaluate user group access rights to match staffs' current duties, 3) restrict user access to the network drives where SYNAPS executable and database files reside, 4) implement audit trail in SYNAPS to track system administration and user activities, and 5) the backup person to the SYNAPS System Administrator should not have overlapping responsibilities in system and client services and collection functions

Comments and Recommendations

CSB Fee Administration

1. The Reimbursement Office has not provided a Billing and Collection Plan to the Department of Finance (DOF) as required in May 1, 1997- Accounting Technical Bulletin (ATB) 036 *Billing and Collection Procedures for Billable Revenue*.

The CSB's Billing and Collection Plan is currently being drafted by the Reimbursement Office and will be submitted to DOF for review and approval when it is finalized. DOF has documentation in the form of an Accounting Technical Bulletin (ATB) 036, dated May 1, 1997 to guide County departments in billing and collection procedures. County departments that generate billable revenues are responsible for developing, implementing and updating a written billing and collection plan. The plan supports the County policy to collect all revenues. The completed plan should specify the *billing process*, that recognizes the timeliness of revenue collection, an *information system* to serve as the accounts receivable subsidiary ledger, a *collection and delinquent account process* with stated collection goals and an *evaluation process* to verify the effectiveness of the billing and collection process. The Billing and Collection Plan is to be submitted to the Department of Finance for review and approval.

One of the County's major operating goals is the timely collection of all revenues. The Director of Finance, who also serves as the Treasurer for the County, has oversight responsibility to assure that the County's goals are met and financial systems comply with applicable laws and are in conformity with generally accepted accounting practices. For this reason, County departments that generate billable revenue are required to provide a billing and collection plan to DOF. This plan is a means to assure management that a system is in place to maximize the timely collection of all revenues.

Prior to June 1, 2000, the CSB's revenue billings, collection, and accounts receivable functions were centralized in the Department of Human Services/Financial Management Program Section. However, the billing function experienced some programming and implementation problems with the installation of a new computer billing and collection software system known as SYNAPS. Effective May 2000, the Reimbursement Office from Department of Administration for Human Services was assigned to CSB the responsibility of assisting in the billing effort. At the time of this transition CSB experienced a 10-month billing backlog. Deputy County Executive for Human Services authorized this move to CSB for a six-month trial period to catch-up on billings. Reimbursement Office's top priority is to bring the billings current.

Recommendation

The Reimbursement Office needs to direct its attention to the completion of the Billing and Collection Plan. The process for managing delinquent accounts specific to SYNAPS needs to be developed for the timely collection of all revenues. This would include system enhancements to assist in the collection of delinquent accounts. Collection goals and practices need to be designed and implemented both at the Reimbursement Office and the Field Service Centers to maximize revenue collection.

Department Response

- The CSB has drafted the Billing and Collection Plan and has requested and received feedback from Office of Finance. Feedback will be incorporated into the plan, which will be finalized and submitted to Office of Finance for final approval. Copies of the approved Billing and Collection Plan will be distributed to Mental Health, Mental Retardation, and Alcohol and Drug Service Management Teams, Reimbursement Office and field service reimbursement staff and quality improvement staff.
- Provide Part C billing requirements to the central reimbursement unit director.
- Modify the Billing and Collection Plan if needed to include Part C.
- Several enhancements to SYNAPS have been requested and are in the queue for cost estimates and/or programming by Anasazi. Additional enhancements will be required that will facilitate notification to clients and staff regarding delinquent accounts. These additional enhancement requests will be developed during FY2002. Completion will be contingent upon vendor ability to complete programming.
- Delinquent account management processes were updated in the CSB Fee Policy. Copies of the updated CSB Fee Policy will be distributed to all CSB staff after it is fully approved.
- A) Collection practices are being reviewed and enhanced with reimbursement staff, program managers and direct service staff.
- B) Goals regarding collection targets will be established and monitored by the Mental Health, Mental Retardation and Alcohol and Drug Service Program Managers and used for future budget projections.

2. The full process for managing delinquent service fee accounts specific to the Billing and Collection software system (SYNAPS) has not been fully developed.

A reminder is printed on the monthly billing invoice stating the number of days the payment is delinquent. However, separate collection letters and final notices are not sent for delinquent accounts. Little effort is made by the Reimbursement Office to pursue past due accounts. The Reimbursement Office runs monthly Accounts Receivable and Fiscal Balance reports at a summary level. However, detailed Accounts Receivable (Fiscal Balance) report is not generated and sent to field service center locations to monitor and collect unpaid balances. Client balances that remain unpaid for more than 120 days are subject to collection through the State's Set-Off-Debt Collection Program that garnish individual income tax refund. The Reimbursement Office does not utilize the services of a collection agency.

Procedures for managing delinquent accounts are a key component of a billing and collection plan. Collection attempts should be documented. Field service centers providing service to clients should be made aware of outstanding account balances in order to review payment options with their clients.

ATB 036 *Billing and Collection Procedures for Billable Revenue* require all departments that generate fee revenues be responsible for the timely collections of those revenues.

As of October 18, 2000, accounts receivable for service fees, more than 120 days delinquent, amounted to \$8.297 million. This represents 81% of the total \$10.297 outstanding. Of this \$10.297 million, Private Pay client fees amounts to \$5.864 million with \$5.065 million past due that is more than 120 days. The value of a receivable account can be determined by the age of the receivable or the time it has remained uncollected. More than likely, the older the receivable the less likely it will be collected. Effectiveness of the collection effort cannot be assessed entirely by examining the aging of receivables, but significant amounts of old receivables is an indication that procedures are needed to enforce collections.

The new SYNAPS system ages accounts either on the date of service or the day that the pay-source became liable rather than on the date that a bill is generated. This presented a problem since the SYNAPS inability to produce client statements for 10 months classified them as over 120 days past due.

Recommendation

The Reimbursement Office needs to renew efforts to collect delinquent client account balances.

- Detailed Accounts Receivable (Fiscal Balance) reports should be generated quarterly by the Reimbursement Office and sent to field service centers by unit locations to monitor and collect delinquent fee balances.
- Field service centers should be encouraged to collect fees due from the client on the date of service. This may involve setting up a payment plan with the client in an effort to reduce the current and significant accounts receivable balance.
- The Reimbursement Office should establish collection goals and measure the collection efforts at the field service centers.
- For proper accounting presentation, the accounts receivable balance should reflect a more accurate collectable balance. The field service centers need to evaluate all delinquent accounts and identify those accounts deemed "uncollectable" for possible write-off.

Department Response

- The Reimbursement Office has begun quarterly distribution of delinquent account reports to field service centers with instructions for collection actions. Enhancements to the Fiscal Balance Report will allow greater automation and ease of distribution have been requested from the vendor. Enhancements to additional reports and creation of several new reports have been requested to enable client demographic, fee and balance due information to be distributed to staff at field service locations. During FY2002, design documents for additional summary reports will be developed and submitted to the vendor for programming.
- Field service centers have received updated instructions regarding collection of client fees, including collection at time of service when possible. Staff has been encouraged to establish payment plans as they address both delinquent and current client charges.

- Bi-weekly meetings have begun and are conducted with field service center reimbursement staff to provide training, identify problem areas, and develop solutions designed to maximize collection through best practices.
- Collection goals and reporting against goals will be established for older balances and ongoing subsequent charges during FY2002 in coordination with program managers.
- Reimbursement Office and field office staff are reviewing delinquent account balances to determine potential for collection. Active balances are worked through a team approach with clinical staff whereas closed account balances primarily are worked independently by reimbursement staff. Account balances meeting the CSB Fee Policy definition as “uncollectable” are referred to program managers, Reimbursement Officer, and Executive Director for approval to write off. Both the review and write off processes require significant investments of staff time to complete. The process is ongoing.
- Existing reports limit the ability to produce user-defined special reports, especially for service and billing related data. Training in special report writing is underway.
- Additional training in report writing by using a third party software that will allow specialized reporting will be on going.
- Revenue maximization workgroups have been established within Alcohol and Drug Services and Mental Health Services. Staff are problem solving and redesigning processes to positively influence revenue collection within the context of service provision.

3. CSB write-off procedures for uncollectable client service fees are written but have not been implemented.

The accounts receivable outstanding balance on client service fees reflects an inflated collectable balance. This is due to the fact that the collectability of client's delinquent accounts have not been evaluated in its entirety in order to identify those accounts as “uncollectible” for at least two or three years. Currently, write-off efforts are limited to bankruptcies and to a smaller extent a limited number of balances that had been sent to the State of Virginia’s Set-Off Debt Collection program.

The process for writing off uncollectible receivables is defined in the CSB’s Fee Policy and Fee Regulation 2120.1 Section IX, dated April 26, 2000. It states that, “An account may be written off if the collection agent established it as uncollectible”. Furthermore, the policy clearly explains the review and approval process by appropriate CSB managers and reporting to the CSB Board by the CSB Executive Director.

As of October 18, 2000, accounts receivable for outstanding service fees is \$10.3 million. \$8.3 million or 81% of this amount is for service fee balances outstanding for 120 plus days. Uncollectable fees inflate the value of receivables, which may result in inaccurate revenue projections and financial statement reporting.

In April 1998 the CSB acquired the SYNAPS Management Information System. SYANPS was implemented in May 2000. At the time of the implementation, the Reimbursement Office was transitioned from the Human Services Financial Management Program Section to the CSB. Prior to this transition between August 1, 1999 through April 2, 2000, the fee policy and the delinquency procedures that were in effect and complied by the Reimbursement Office were suspended. This was due to: 1) phasing out of the old "FINICS" system, 2) the long implementation and set-up process of the new SYNAPS system, and 3) the inability to produce client statements during the set-up period. Since May 2000 the Reimbursement Office's top priority has been to bring all client billing up to date. Continuing system problems limited the time for the Reimbursement Office to classify delinquent/past due accounts and pursue its collection efforts.

Recommendation

The Reimbursement Office's efforts need to focus on identifying uncollectable client service fee accounts outstanding in the amount of \$8.3 million over 120 days delinquent.

- Detailed Accounts Receivable (Fiscal Balance) reports should be generated by the Reimbursement Office and sent to Program Managers sorted and sent to field service unit locations.
- Client balances that remain unpaid for more than 120 days need to be evaluated by the Program Director and a determination made as to the collectability of each account.
- In accordance with the CSB Fee Policy and Fee Regulation 2120.1 Section IX, those accounts that are determined to be uncollectable should be sent to the Program Director for approval and submitted to the CSB Reimbursement Officer. The CSB Executive Director should approve all unpaid balances at the summary level for final write-off. The Executive Director should report to the CSB Board annually the number of accounts and the dollar amount written-off.
- Once the analysis and subsequent write-off of uncollectible balances have been made, a detailed Accounts Receivable (Fiscal Balance) report should be generated quarterly and sent to the service field unit locations for review by the Program Managers.

Department Response

- The Reimbursement Office is reviewing delinquent account balances on closed accounts and referring balances determined to be "uncollectable" to Program Managers, Reimbursement Officer, and Executive Director for approval to write off. Initial efforts have focused on balances older than 120 days.
- As of May 1, 2001 detailed accounts receivable reports on open delinquent accounts are sent to Program Managers and primary staff for review and action that may include establishment of payment plans and/or recommendations for adjustments, or write-off or termination of service for non-payment. Reports will be issued on a quarterly basis.

- A summary of accounts determined to be “uncollectable” has been sent to the Program Manager, Reimbursement Officer, and then to the Executive Director for approval. Once approved, these balances are written off to reduce the outstanding “over-120” days delinquent account balances. Reports will be issued on a quarterly basis.
- An annual summary is prepared and submitted to the CSB Board of the number of accounts and dollar amount written-off. Then by 7/31/01 of each year.

4. There are no summary level reconciliation between SYNAPS and FAMIS.

There is an adequate process for reconciling postings to SYNAPS and FAMIS. However, there is no reconciliation between SYNAPS and FAMIS at the summary level to determine whether the two separate systems are in agreement from month to month.

County’s Accounting Technical Bulletin (ATB) 036 – Billing and Collection Procedures for Billable Revenue requires “monthly accounts receivable reconciliation”. Reconciliation is an accounting process to strengthen the internal controls by verifying the financial information of activities that has occurred in a given period of time. Management will not be able to determine the accuracy of their financial information without performing timely reconciliations. Although there is sufficient detail reconciliation of the individual systems (i.e. SYNAPS and FAMIS), the two systems have never been reconciled to ensure that they are in agreement.

Recommendation

We recommend reconciling the two systems (SYNAPS and FAMIS) at the summary level to ensure that they agree on a monthly basis. This can be accomplished with the existing SYNAPS and FAMIS reports available from each of the systems. Any difference between the two systems should be explained and accounted for with appropriate supervisory approval. In addition, copies of the reconciliations should be submitted to the Department of Finance Billable Revenue Team according to the County’s ATB 036.

Department Response

CSB recognizes the value of reconciling SYNAPS to FAMIS in addition to the reconciliation activities already occurring. This is a positive goal that is likely to require technical support from both the software vendor and the Department of Finance. Currently, daily cash reports from SYNAPS are used to report data to FAMIS. During FY2002, Reimbursement staff review existing SYNAPS reports, in consultation with the vendor, to determine how SYNAPS reports can be utilized to reconcile to FAMIS amounts on a monthly basis. Department of Finance staff will be consulted regarding the level of reconciliation required and reporting mechanisms will be developed using these standards. Once reporting capability is established, reconciliation will be conducted on a monthly basis and copies of reconciliation reports will be sent to the Department of Finance, Billable Revenue Team as required.

5. The service tickets and activity recording sheets used to document and bill client services in CSB are not being completed, submitted, and entered timely in SYNAPS by the field services centers.

Therapists complete service tickets or activity recording sheets after clients receive services in one of the three disabilities (Mental Health, Mental Retardation, and Alcohol & Drugs). This is to bill the clients for services rendered in their next billing cycle. The information from the service tickets are also used to capture outcome measures reported to the County, Federal, and to the Virginia Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS). CSB is required to send quarterly reports to DMHMRSAS. Based on provisions in the state performance contract, CSB requested additional time to submit their 4th quarter performance contract report to DMHMRSAS that was due on October 2, 2000. The extension was approved through October 11, 2000 and CSB submitted their outcome measures to DMHMRSAS by this date.

Section 20.710 of the Virginia DMHMRSAs Reimbursement Policies and Procedures for CSBs require that “each service ticket should have an appropriate charge for the service rendered”. These charges are to be totaled at the end of the day. CSB's standard office procedures require timely filing of service tickets (daily or monthly depending on the disabilities) to bill clients and report outcome measures to the County, State, and the Federal government. In addition, CSB's policy regulation 2121.1 addresses Therapists as providers with third party payers (e.g. sundry insurance companies). Furthermore, the Code of Virginia Chapter 10 37.1 – 197 states that “every CSB shall institute a reimbursement system to maximize the collection of fees”.

Billing to clients and third party providers may be delayed and the receivables will be understated. Outcome measures reported to the County and the DMHMRSAs will be delayed. Some Therapists did not receive sufficient training to complete the service tickets and activity recording sheets. CSB's delay in submitting the service tickets is caused by a combination of problems from the Therapists to the administrative staff entering the service information timely to SYNAPS.

Recommendation

We recommend CSB incorporate into their existing CSB policy to require Mental Health and Alcohol & Drug Services Therapists submit their service tickets and activity recording sheets no later than the next business day after the clients receive their services. In addition, Mental Retardation Therapists should submit their service tickets within one week. CSB should provide proper training to Therapists to complete the service tickets and activity recording sheets. CSB should also work towards automating this process through on-line access and entry to SYNAPS by the Therapists with appropriate supervisory approval. This should be accomplished with the implementation of the SYNAPS Assessment and Treatment Planning module.

We also recommend that the program supervisors monitor timely submission of all service tickets and activity recording sheets from the Therapists through the development of a management report similar to other CSBs using the same system. This report should also be used to monitor any delay caused by the administrative staff input to SYNAPS once the service tickets and activity-recording sheets are collected from the Therapists. Based on this monitoring, CSB may be able to better assess and support whether additional training, staffing, and system resources are needed to limit delays in the future. In order to ensure the timely submission of service tickets and activity recording sheets, CSB should add this requirement as one of the performance evaluation goals that Therapists and administrative staff meet.

Department Response

- A directive will be issued that Mental Health and Alcohol and Drug Services staff service tickets and activity recording sheets are due by the next business day after service is provided. Mental Retardation direct service staff are using the Client Data module of SYNAPS to record service data. Ongoing training will be conducted to assist staff in accurately completing service tickets and activity recording sheets.
- The CSB is assessing the viability of establishing organizational and staff standards and performance measures related to staff billable hour production and program/unit production in addition to other clinical performance indicators. Existing SYNAPS reports will be helpful in reviewing this data, however, it is anticipated that vendor enhancements will be required in order to produce reports that specifically address the full range of performance measures once they are adopted.
- The CSB Performance Management Team is developing a Performance Element to be included for each staff member that evaluates whether CSB-established criteria has been met for service ticket and revenue responsibilities

6. Separation of duties needs to be strengthened at Mental Health Northwest (Reston) and Mental Health Springfield Centers.**Mental Health Northwest (Reston) Center**

In the administrative function, there is a total of five full time staff that has responsibilities over the collection of payments, recording of client services, and providing the Reimbursement Office with client and billing information. Four individuals are Account Clerk I, and one individual is an Account Clerk II. The Account Clerk II supervises and has physical access control to all the receiving, recording, and disposition of client fee payments.

Mental Health Springfield Center

One of the Clerical Specialists has conflicting duties that would weaken the internal control in the fee payment process. This Clerical Specialist is a Receptionist/Cashier on the evening shift. The duties include balancing out the cash box each evening to the Daily Cash Ledger. In addition, the Clerical Specialist prepares the daily deposit and deposit summary report to be sent to MH Mt. Vernon Center. The Clerical Specialist also prepares and enters service tickets and new client information in SYNAPS. In summary, this person collects and records payments, prepares deposits, and enters client data and services.

It is important that internal accounting controls require segregation of duties. The principle of separation of duties implies that the person having physical access to cash should not be involved with the related record keeping. The person opening the mail and depositing customer remittances should not also be responsible for maintaining the accounts receivable subsidiary ledger.

Separation of duties reduces opportunity for error, non-performance, poor performance, and for theft and fraud. To the extent that one person performs two or more of fee payment collecting duties, run the risk of a breakdown in internal controls. When field service centers do not have adequate staff to properly separate financial related duties, supervisory management needs to monitor these activities. Controls should be reviewed to assure that adequate checks and balances are in place to track and reconcile client fee payments.

Recommendation

In developing control procedures for this process, the field service center should plan for each of these steps to be taken by different employees. The plan should identify the individuals responsible for each process. Separation of duties is an important control for the fee payment collection system.

Procedures for safeguarding cash and the depositing of funds are provided in ATB009-Cash Receipts Processing and ATB003 - Bank Deposit Preparation and Recording. If separation of duties is not possible, supervisors should perform self-checks to assure that they have adequate compensating control procedures to safeguard fee payment collections.

Department Response

The Reimbursement Officer is reviewing cash handling procedures at each field office and within the Reimbursement Office. Cash handling procedures have been modified to better meet requirements for separation of duties and safeguarding of cash. Reviews are continuing and final written guidelines will be distributed that outline additional safeguards including regular supervisory review.

CSB “SYNAPS” Management Information System

7. Appropriate system implementation guidelines were not followed during the development phases of the new SYNAPS Management Information System. This contributed to a 10-month delay in billing service fees to clients and third party providers in FY 2000.

CSB purchased SYNAPS from ANASAZI in April 1998. During system development phase, CSB underwent two system conversions from the old FINICS system to SYNAPS in December 1998 and July 1999. Due to inadequate vendor system support, the vendor delivering the wrong product and other system related problems, CSB continued to use FINICS through June 1999 after the initial conversion for the next six months. FINICS was used to send out its last bills in July 1999. A second conversion took place back to SYNAPS since CSB had to address the Y2k compliance issue prior to January 1, 2000. At the time of the second conversion, SYNAPS billing feature was not functional. CSB was not able to send bills to clients and to the third party insurance providers using SYNAPS for the first 10 months after implementation. This contributed to a drop in program and client fee collections in the amount of \$643,617 from Fiscal Year 1999 (\$3,101,943) to Fiscal Year 2000 (\$2,458,326). CSB is now current with their billing.

DIT’s “Application Life Cycle Standards” provide guidelines for system development. One of the standard system methodologies includes appropriate *system implementation* process to develop sufficient training plan for all users in the use and operation of the system. This process also includes sufficient documentation of user acceptance testing and proper conversion and verification of data files.

CSB did not have sufficient support from the vendor. There was a lack of appropriate project planning, analysis, and coordination with users. There was no testing plan for billing to ensure a comprehensive test. There was insufficient follow-up documentation to record problem resolution during testing. There was no reconciliation made to assure that the converted billing information from FINICS to SYNAPS agreed.

Recommendation

We recommend compliance to the County's "Application Life Cycle Standards" available on the Intranet for future systems development. The standards describe the system methodologies that entail appropriate system planning, analysis, design, construction, and implementation. In particular, system implementation should include sufficient conversion plan for reconciling the billing information and user testing with a test plan of action steps and the resolution and approval of all problems encountered during the test. CSB should provide sufficient training that is documented as to who received training, what material was covered, and how often the training was given to prepare users before system implementation.

Department Response

- Rick Sleeman, Project Manager for SYNAPS, has a copy of the "Application Life Cycle Standards" and is using it to guide implementation of Assessment and Treatment Planning (ATP) the next phase of SYNAPS.
- The ATP module does not involve billing.
- There is documentation of all staff trained to date on the first round of implementation and all future staff training will be documented.

8. There is no formal documented Business Continuity Plan for the SYNAPS system.

The SYNAPS server resides at the Department of Information Technology's (DIT) data center. DIT's staff maintains the server and performs routine backup of the server. CSB does not have a backup server and/or backup system that can run the application in case of system failure with the current server.

The SYNAPS billing system is a stand-alone system that runs on a Local Area Network using Windows NT as the operating system. Site offices are connected through a Thin Client platform where the application, data processing, and data storage resides on the server. The server acts as the central source of data storage media. For this reason, a Business Continuity Plan is critical to CSB's business operation. The plan should include backup hardware, backup facility, and assignment of duties to critical staff. The vendor plays an important role in the recovery of the system. Procedures to contact the vendor should be included in the plan. In case of a disaster, the delay in restoring the SYNAPS system would cause major delays in the CSB's recording of client services and billing functions. In addition, there would be a delay in applying client payments, resulting in weakened internal controls over fund administration.

DIT provides the core maintenance of the SYNAPS system. CSB's staff only perform user administration of the application. CSB was not aware that a Business Continuity plan is required for the SYNAPS system. CSB thought that the SYNAPS was part of the County's Enterprise systems, where recovery will be administrated at the County's off-site facility. However, because SYNAPS is a stand-alone system, it is not included as one of the County's Enterprise systems.

Recommendation

We recommend the development of the Disaster Recovery/Business Continuity Plan for the SYNAPS system to be reviewed by DIT. This plan should anticipate the different disaster scenarios that could take place and the available backup servers and facility to restore the system. Formal procedures to perform the recovery should be included with the proper assignment of responsibilities to critical supervisory and line staff.

Department Response

- A draft Disaster Recovery/Business Continuity Plan for SYNAPS has been developed. Next step is review by Executive Staff for consideration of an action plan since involves more than just IT business processes.
- Implementation of the Disaster Recovery/Business Continuity Plan.
- Back Up Servers and the facility to restore the system have been put in place by DIT.

9. There is no documented supervisory approval to assign user access to SYNAPS.

CSB requires that all employees must submit a SYNAPS Access Request Form in order to be set-up in SYNAPS. The form requires the assignment of access level and the signature of the SYNAPS Trainer and the staff. However, supervisor approval is not a requirement on the form.

The employees' access levels in SYNAPS should match employees' duties. Therefore, the employees' supervisor should ensure that employees are given SYNAPS access levels that are appropriate to their assigned duties for internal control purposes. A supervisor approval should be documented to show that reviews were done to ensure that employees' access levels were adequate. A major risk to information system is unauthorized access to data. This is when users are given access to information and/or rights that are beyond their job duties.

Recommendation

Supervisor approval of employees' access levels should be required and properly documented for all SYNAPS users. This can be accomplished by modifying the current SYNAPS Access Request Forms to document supervisory approval.

Department Response

This is in place. Documented Supervisor approval is now required for SYNAPS access level.

10. The user groups access rights needs to be reevaluated to match staffs' current duties.

User or users' access rights in SYNAPS were assigned at the initial conversion stage of the system. At that time, some users were involved in functions that were beyond their assigned duties. User access rights should be reassessed monthly/quarterly and adjusted to match their job duties. One example of mis-matched access rights is with the Reimbursement Staff and Reimbursement Management groups. These groups are allowed access to the function of System Set-up with Edit/Add/Delete/Show rights. Some menus under this function are for System Maintenance only and should not be accessed by functional users. Another example is where the System Management and

System Set-up groups are given Edit/Add/Delete/Show rights to menus under Third Party Billings, Third Party Payments, Client Billings, Client Insurance, Client Payments, and Fiscal. These menu options allow users to be able to add/change/delete client accounts, which is not the responsibility of the System Management staff. Access rights to critical data should be aligned with the users job responsibilities.

In our example, the Reimbursement staff and Reimbursement Management groups are responsible for billing and applying payments. They should not have access to system administration options such as System Set-up. The System Management and System Set-up groups are the administrators of SYNAPS. System administration does not have access to manipulate data and have all rights to initiate transactions. Therefore, they should not have rights to Edit/Add/Change client billings/payment or Third Party billing/payments. A compensating control for this would be a system generated tracking log of activities/transactions performed on the system. This log should be reviewed periodically. Allowing user group access to functions that are not part of their duties may cause unauthorized access to data or changes made to the application. This would also affect the integrity of the data.

Recommendation

The assignment of access levels of user groups needs to be periodically reassessed to reduce the risk of unauthorized access to data. These restriction includes the System Set-up menu options and the billing/payments menu options. These are powerful menus that should be carefully evaluated before assigning access rights.

Department Response

Assignment of access levels of user groups is being periodically reassessed and documented.

11. CSB users have access to the network drives where SYNAPS executable and database files reside. Users have the opportunity to change or delete files causing irreversible damage and denial of service to SYNAPS.

Prior to this audit, the Planning & Database Management Director alerted DIT of CSB's concern for user access to the network drive "R" where the database files are installed. Users also have access to another network drive "Q" where the SYNAPS executable files are kept. Arrangements are being made through DIT to prevent SYNAPS users from accessing the network drives. Appropriate logical access controls should help protect against unauthorized modification or manipulation of (1) operating systems (executable files) and data (database files), (2) the integrity and availability of information by restricting the number of users and processes with access, and (3) confidential information from being disclosed to unauthorized individuals.

Users may inadvertently or intentionally modify or manipulate files that would undermine data integrity and availability of SYNAPS to users to conduct their business and further delay sending bills to clients. SYNAPS was originally setup and configured to allow Systems Administrators perform their routine maintenance with no security controls to the network drives. Therefore, all users have read/write access to the network drives via their terminals or personal computers.

Recommendation

We recommend CSB continue to work with DIT preferably by submitting a change management request with the highest priority to restrict *all users* from the network drives where SYNAPS

application is installed. At the very least, CSB should obtain a completion date of this request from DIT.

We also recommend against adding additional users to SYNAPS unless they are restricted from accessing the network drives through other compensating controls. This may be accomplished through another access control software, platform, or environment.

Department Response

This has been requested via a Change Management Request and is being processed by DIT.

12. There is a limited automated management trail in SYNAPS to track system administration and user activities.

SYNAPS system does not include sufficient management (audit) trail to reconstruct transaction events by a System Administrator or the user. This system was purchased with limited audit trail functions. A limited audit trail report is available through the vendor.

The ability to review and trace the user actions in SYNAPS is a basic element of system management control. The system should contain provisions that routinely capture transaction activities to assure data integrity. Without the ability to record system security and table changes, erroneous changes could be made to alter system functions. A single individual may accomplish changes without a record of their action. The audit log feature was not included in the initial delivery of this vendor-supported system. System specification in the contract did not require this feature as part of the deliverables.

Recommendation

We recommend CSB coordinate with DIT to purchase either access control or intrusion detection software that includes an audit log feature to capture transaction events in SYNAPS. Some of the software packages to consider are AudiMaster, LT Auditor +, Interval Pro, and others available in the market. Alternatively CSB may submit a change management request to the vendor to enable an automatic logging mechanism that records activities for all users including System Administrators. DPR request to the vendor should also include maintenance reports to assist System Administrators to manage SYNAPS.

Department Response

This is expected in the enhancements being built into SYNAPS by ANASAZI to make the application HIPAA compliant.

13. CSB has not submitted their data backup and retention requirement to DIT for SYNAPS.

The Tape Librarian in the government data center is the custodian of all offsite tape backup specification forms submitted by County departments. This form had not been submitted by CSB to require DIT to formally backup and retain their data. The Planning & Data Management Director is currently working with DIT to complete this task. Based on DIT's "Application Offsite Backup Standards" updated in December 20, 1999, departments are required to specify in terms of a date (Julian date), a cycle or a number of generations the retention period on the "Offsite Tape Backup Specifications" form.

CSB may not be able to respond timely to requests for data from their customers, regulatory departments, vendors, and other business parties without appropriate retention of tapes. In addition, without proper data retention, default retention time frame may be applied that may not meet CSB's needs.

CSB implemented SYNAPS within the last year. Due to post-implementation related maintenance duties to stabilize the system, CSB has not submitted their data backup and retention requirements to DIT.

Recommendation

We recommend CSB identify their data backup and retention requirements by working with each of the CSB's disabilities (Mental Health, Mental Retardation, Alcohol & Drugs, Emergency Intervention, etc.) to meet State (e.g. Department of Mental Health, Mental Retardation, and Substance Abuse), Federal, FOIA, and any other legal requirements. CSB should work with their DIT application support personnel to complete the offsite tape backup specifications form and submit to the Data Center Manager for approval and implementation.

Department Response

- Plan for identification of data backup and retention requirements will develop by SYNAPS Users' Group in consultation with State Department Mental Health, Mental Retardation and Substance Abuse Services.
- Offsite tape backup specifications form has been completed and submitted to the Data Center Manager for approval and implementation

14. The original CSB's contract with ANASAZI vendor had no provision for an escrow agreement that would allow CSB access and modification to the source code as needed to maintain SYNAPS in the event that the vendor goes out of business.

During this audit, Planning & Data Management Director requested the inclusion of this agreement through the Department of Purchasing and Supply Management (DPSM). DPSM stated that since the original contract is already signed, it would be up to the vendor to accept an amendment to the contract agreement. Contingencies that might affect contract performance should be included in the contract. If ANASAZI goes out of business, all documentation, record, particularly the source code entrusted to a third party should be turned over to the CSB. ANASAZI is providing complex maintenance or modification services; therefore, source code may be required for another party to assume maintenance. ANASAZI offers escrow agreement to their customers.

SYNAPS is written in Dataflex, which is like Paradox, and therefore no one in DIT can provide support to CSB. If the vendor expires, CSB will not be able to access the source code to have technical staff (internal or external) assist in maintaining the application. Escrow agreements are becoming more of a standard requirement for new application purchases especially for commercial off the shelf (COTS) systems. DPSM is adding the escrow agreement clause into all new application purchases; however, there are previously purchased applications where this agreement was not included.

Recommendation

We recommend CSB continue to work with DPSM to amend the existing contract to include provision for an escrow agreement. This legal contract between CSB and ANASAZI would at the very least designate a third party whose responsibility is to act as the custodian of the software. ANASAZI will be required to submit all current and new programs in source code to the third-party custodian as part of the contract.

Department Response

Work is in progress with HS Contracts to complete this at the next contract revision. DPSM is aware of our efforts to add this agreement to the vendor contract.

15. The quality improvement program as manifested by the “Friends of Quality Improvement” and its ancillary quality related activities within the CSB’s programs have a limited role in the MIS and Reimbursement related functions to ensure that CSB’s data is reliable, accurate, and complete.

CSB has a well documented Draft Quality Improvement Paper dated March 2000 entitled “Quality Improvement Program Description”. The design of the Quality Improvement Program (QIP) answers two key questions regarding service delivery: “Are we doing the right thing for consumers?” and “Are we doing it well?” One of its purposes is to ensure a well designed process that includes analyzing data. In addition, one of the best practice components of QIP is to collect, use, and analyze data. Lastly, the framework for evaluating quality of care identifies three categories of measures: (1) process measures, (2) outcome measures, and (3) structural measures. These three categories are based on “reliable, accurate, and complete data”. The quality improvement team has not been as involved in the MIS and Reimbursement functions to the extent of ensuring data integrity in CSB.

The goal of a quality assurance/improvement is to strive toward achieving zero-defect (error free) measures. In order to meet this goal the Friends of Quality Improvement should have a proper charter and criteria should be established that define the performance and quality, and a mechanism for measuring the progress of CSB’s data to be accurate, complete, and reliable. The two questions regarding service delivery (i.e. doing the right thing and doing it well to consumers) will be undermined in respect to the integrity of CSB’s client related data.

CSB’s Friends of Quality Improvement is a fledgling but an invaluable program that has not been as involved in the MIS and Reimbursement functions. Their focus was mainly to review and enhance the service delivery within their clinically based programs. The “bridging” of all CSB functions (i.e. clinical, MIS, and Reimbursement) has not been fully achieved.

Recommendation

We recommend the role of the CSB’s Friends of Quality improvement be expanded to include their involvement in the MIS and Reimbursement functions. This would include the monitoring and processing of client related and financial data from its origination (i.e. client data and service(s) received) to its completion (i.e. client data entry, billing collection and resolution) through manual and/or automated environment. This can be accomplished by periodic review of source documents (i.e. client data and billing information) and comparing this in SYNAPS through on-line inquiry availability reports and verification with MIS and Reimbursement staff. Any errors should be corrected and documented as to whom, when, what, and how the errors were resolved. This review,

resolution, and adequate documentation contribute towards successful data reliability, accuracy, and completeness.

Department Response

- Amend FY 2002 Quality Improvement Plan to include an element and performance indicators related to Reimbursement and MIS functions.
- Develop time lines for conducting cost center reviews of MIS and reimbursement source documents.
- Conduct cost center reviews of source documents and compare with data in SYNAPS on a quarterly basis.
- Disseminate findings with corrective action plans as needed on a quarterly basis

16. The Backup SYNAPS System Administrator also has responsibility to oversee entry of client services and fee collection procedures.

The Backup SYNAPS System Administrator is a Supervisor Clerk at the CSB's Springfield office. This person is involved in overseeing client services and payment procedures for the office.

Separation of duties between the functional users and System Administrators is important to ensure adequate controls over input, processing, and output of transactions. A functional user is involved in initiating, approving, and reconciling the business transactions. Currently the Supervisor Clerk at the CSB's Springfield office is assigned to the System Management user group in SYNAPS. This allows the Supervisor Clerk complete access to perform any function in SYNAPS, making this system vulnerable to unauthorized access. The Supervisor Clerk was involved during the implementation of the SYNAPS system. Therefore, this person is familiar enough with the functionality of the system and was the best person to act as a backup to the System Administrator.

Recommendation

The System Administrator should evaluate the responsibilities of their back up to ensure that they are properly matched with the duties of the System Administrator. The Backup SYNAPS System Administrator should not be a functional user.

Department Response

Has been accomplished with addition of new DIT SYNAPS position.